

Message Text

LIMITED OFFICIAL USE

PAGE 01 PARIS 02464 262151Z

66

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 PA-01 PRS-01 /089 W

----- 038781

R 262140Z JAN 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 7201

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

LIMITED OFFICIAL USE PARIS 02464

PASS TREASURY, FEDERAL RESERVE, COMMERCE

E. O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: PARIS FOREX MARKET

REFTEL: PARIS 2242

1. BOTH BANK OF FRANCE AND MARKET SOURCES STATE THAT THE FOREX MARKET IS CALM WITH NO OR AT LEAST VERY LITTLE OFFICIAL INTERVENTION. THE RATE TODAY IS 4.49 BUYING AND 4.48 SELLING. THE PRICE OF GOLD IN PARIS FELL ABOUT AS MUCH AS IT ROSE LAST WEEK ON THE STRENGTH OF REPORTS THAT THE U.S. WILL SELL GOLD. EUROFRANC 90 DAY DEPOSIT RATES ARE ONLY SLIGHTLY HIGHER THAN LAST FRIDAY AND 48 HOUR RATES PRACTICALLY THE SAME AS FRIDAY INDICATING LEVELLING OFF IN RECENT DEMAND FOR HEDGING PURPOSES.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 02464 262151Z

2. DESPITE RUMORS THAT PERSISTED THROUGH LAST FRIDAY

EVENING THAT THE GOF WOULD "DEVALUE" THE FRANC, THE AUTHORITIES APPEARED TO IGNORE THE FOREX MARKET AFTER FINMIN FOURCADE'S STATEMENT ON THURSDAY (PARIS 2242). NO FURTHER STATEMENT WAS MADE BY FINMIN FOURCADE. GISCARD SPENT THE WEEKEND HUNTING WILD BOAR, ACCORDING TO THE PRESS. MOREOVER SINCE LAST FRIDAY THE GENERAL REACTION HAS BEEN ONE OF ALMOST STUDIED CALM BOTH IN THE PRESS AND BUSINESS CIRCLES GENERALLY. TODAY THE OVERALL MOOD IS ONE OF BUSINESS AS USUAL.

3. THE FRENCH AUTHORITIES CHOSE TO DEFEND THE FRANC BY INTERVENING AT THE MID-POINT OF THE EC "SNAKE" RATHER THAN BY LETTING THE FRANC SLIDE EVEN A LITTLE. THIS TACTIC MAY HAVE IMPRESSED THE MARKET BUT IT ALSO REFLECTED THE DESIRE TO STAY NEAR THE MIDPOINT OF THE "SNAKE" WHICH IS ONE OF THE MINOR AIMS OF FRENCH FOREX POLICY (SEE PARIS 0482 FOR DETAILS).

4. IN RETROSPECT, IT HAS BEEN WIDELY ASSERTED FOR YEARS THAT FRENCH FOREX POLICY TRADITIONALLY IS DESIGNED TO ACHIEVE A SLIGHTLY "UNDERVALUED" FRANC LARGELY FOR TRADE REASONS. FOR MANY YEARS THIS ASSERTION HAS BEEN DUBIOUS AT BEST GIVEN THE MAIN THRUST OF GOF MONETARY AND FISCAL POLICY UNDER BOTH DEGAULLE AND POMPIDOU, BUT NOW UNDER GISCARD IT IS PATENTLY EVIDENT THAT THE GOF WANTS TO MAINTAIN A RELATIVELY STRONG FRANC. AT ANY RATE THIS IS THE KEY TO ASSESSING GOF REACTIONS TO FOREX MARKET DEVELOPMENTS. IN SHORT, IF THE FRANC RATE SHOULD MOVE BELOW THE MIDPOINT OF THE EC "SNAKE" FOR ANY APPRECIABLE PERIOD, IT WILL REFLECT RELATIVELY STRONG AND PERSISTENT PRESSURES. AS REPORTED EARLIER (PARIS 0482), THE FRENCH AUTHORITIES ENVISION A CONSTELLATION OF EC RATES IN 1976 WHICH WILL PERMIT SOME DEPRECIATION OF THE FRANC (A 4.40 TO 4.60 RANGE) WHILE REMAINING AT OR SLIGHTLY ABOVE THE MIDPOINT OF THE SNAKE. THIS VIEW IMPLIES A CERTAIN FLEXIBILITY ON THE PART OF THE D-MARK, NO FURTHER LOWERING OF FRENCH INTEREST RATES VIS-A-VIS THE RECENT DECLINES IN THE U.S. AND ELSEWHERE, AND RELATIVELY SUCCESSFUL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 02464 262151Z

PRICE STABILIZATION POLICIES. AS OF NOW THE FRENCH AUTHORITIES BELIEVE THEY HAVE SUCCESSFULLY MET THE SPECULATIVE FALLOUT FROM EVENTS IN ITALY AND BARRING STRONG EXTERNAL SHOCKS THEY NO DOUBT WILL CONTINUE TO PURSUE THE FOREX POLICY OUTLINED ABOVE AND REPORTED IN GREATER DETAIL IN PARIS 0482.
RUSH

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL TRENDS, FOREIGN EXCHANGE TRANSACTIONS, DEVALUATION RUMORS, FRANC
Control Number: n/a
Copy: SINGLE
Draft Date: 26 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PARIS02464
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760029-1167
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760121/aaaaaske.tel
Line Count: 114
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2004 by BoyleJA>; APPROVED <14 MAY 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PARIS FOREX MARKET
TAGS: EFIN, FR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006